

***United States Court of Appeals
for the Second Circuit***



**APPELLANT'S
APPENDIX**

ORIGINAL 75-7141

United States Court of Appeals

For the Second Circuit.

INDEPENDENT INVESTOR PROTECTIVE LEAGUE, in behalf of its membership affected; EDDIE L. THOMPSON, JR., individually and in behalf of all persons similarly situated and circumstanced,

Plaintiffs-Appellants,

-against-

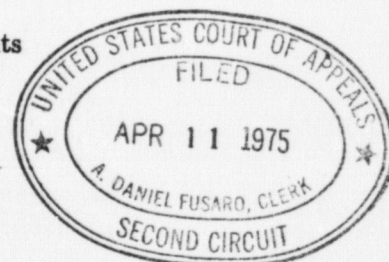
AVCO CORPORATION, JOHN H. GOSNELL, PAUL REVERE CORPORATION, CARTRIDGE TELEVISION, INC., HORNBLLOWER & WEEKS-HEMPHILL NOYES, INC., ARTHUR YOUNG & COMPANY, JAMES R. KERR, FRANK STANTON, CHARLES D. BROWN, SAMUEL W. GELFMAN, DONALD F. JOHNSON, DENIS B. TRELEWICZ, ERNEST S. ALSON, ALAN S. BERK, JAMES R. DEMPSEY, W. VICTOR EMMALEH, ARTHUR STANTON, GORDON M. TUTTLE, HARLAND A. BASS, THOMAS J. SULLIVAN, GEORGE S. TRIMBLE, "JOHN DOE" and "RICHARD ROE", the names "JOHN DOE" and "RICHARD ROE" being fictitious, the parties intended being those officers, directors and/or employees of the defendants who participated in the unlawful acts as alleged herein,

Defendants-Appellees.

*On Appeal From The United States District Court
For The Southern District Of New York*

Appellant's Appendix

BADER AND BADER
Attorneys for Plaintiffs-Appellants
270 Madison Avenue
New York, N.Y. 10016
(212) 532-6860



PAGINATION AS IN ORIGINAL COPY

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CIVIL DOCKET
UNITED STATES DISTRICT COURT

JUDGE FRANKEL

74 CIV. 731

Jury demand date:

by pliffs. 6-6-75

D. C. Form No. 106

TITLE OF CASE

ATTORNEYS

For plaintiff:

WADSWORTH & WADSWORTH
276 Madison Avenue, N.Y.C. 10016
LE 2-6660

3-12-75

VS.

AVCO CORPORATION.
JOHN H. GOSNELL,
PAUL REVERE CORPORATION, DISM-7-7-75
CAMBRIDGE TELEVISION INC.
HORNBLOWER & WEEKS - HEMPHILL,
MOYES, INC.

ED-1-3-75

JOHN T. HUGHES IN
TRUSTEE OF

dated 2-21-75

ARTHUR YOUNG & CO.
JAMES R. KERR.
FRANK STANTON.
CHARLES D. BROWN.
SAMUEL W. GELFMAN,
DONALD F. JOHNSON
DENIS S. TRILWICK,
ERNEST S. ALSON,
ALAN S. BERK.
JAMES R. DEMPSEY.
W. VICTOR EINVALEN,
ARTHUR STANTON.
GORDON H. TUTTLE.
HARLAND A. PASS.
THOMAS J. SULLIVAN.
GEORGE S. TRINBLE
"JOHN DOE AND RICHARD LOE", the NAMES
"JOHN DOE AND RICHARD LOE" BEING
FICTITIOUS THE PARTIES EXTENDED BEING
THOSE OFFICERS DIRECTORS AND OR EMPLOYEES OF THE
DEFENDANTS WHO PARTICIPATED IN THE VIOLATIONS AS
ALLEGED HEREIN.

WILLIAMSON & SCHOSTMAN
60 East 42nd St-NYC 10017 (601-5030)
(deft. John R. Gosnell)

For defendant:

WHITE & CASE
11 Wall St-NYC 10005 (732-1010)
(for deft. Arthur Young & Co.)

WINTHROP STIMSON PUTNAM & ROBERTS
40 Wall St- NYC 10005 (943-0700)
(for deft. Gordon M. Tuttle, Avco Corp.,
The Paul Revere Corp., James R. Kerr,
Alan S. Berk

HILBANK TWEED HADLEY & MCCLELLY
1 CHASE MANHATTAN PLAZA-NYC 10005 (444-1111)
(for deft. Hornblower & Weeks-Hemphill, Moyes)

STATISTICAL RECORD

COSTS

DATE

NAME OR
RECEIPT NO.

REC.

DEB.

J.S. 6 mailed X

Clerk

4-14-74 Baker L/B
2-1-75 H.S.T. may

15-

15-

J.S. 6 mailed

Marshal

Basis of Action:

U.S.C. ACT. 1933

Docket fee

Witness fees

Action arose at:

Depositions

A-1



74 CIV. 731

[illegible]

(PAGE # 2)

74 CIV. 731

DATE	PROCEEDINGS	Date Order or Judgment Noted
3-11-74	Filed Complaint. Issued Summons.	
rch 13-74	Filed deft. Arthur Young & Co.'s notice of taking deposition of plttf. Eddie L. Thompson, Jr. on 4-3-74	
ch 18-74	Filed deft. Arthur Young & Co.'s notice of taking deposition of plttf. Independent Investor Protective League by its President on 4-4-74.	
ch 20-74	Filed plttfs' affirmation of I. Walton Bader and notice of motion for an order for protective order. Ret. 4-3-74	
ch 20-74	Filed plttfs' memorandum in support of motion for protective order.	
ch 27-74	Filed deft. Avco Corp's first set of interrogs to plttf. Eddie L. Thompson, Jr.	
il 2-74	Filed deft. Arthur Young & Co's affdvt. of Laura Banfield in opposition to plttfs' motion for what amounts to an indefinite postponement of their depositions by Arthur Young noticed for 4-3 and 4-4.	
il 2-74	Filed ANSWER of deft. Arthur Young & Co.	W&C WSP&R
. 4-74	Filed ANSWER of deft. Gordon M. Tuttle	
. 9-74	Filed deft. Arthur Young & Co's interrogs.	
r. 12-74	Filed Order- that deft. Arthur Young & Co. may serve interrogs to plttfs. on or before 4-9-74- that plttfs. shall answer to said interrogs on or before 4-23-74 - that plttfs. shall produce on or before 4-23-74 as indicated- that depositions of plttfs by deft. Arthur Young & Co. previously noticed for 4-3 and 4-4, 1974 shall commence on or before 5-23-74- that copies of the aforesaid Notices of examination and of this Order shall be served upon counsel for all parties as indicated- that-except as set forth above, plttfs' motion for an order that no depositions be taken herein until all defts. have appeared herein is denied- and that plttfs' motion for an order that the deposition of plttf. Eddie L. Thompson, Jr. be taken in Greenville, South Carolina is denied. So ordered- FRANKEL, J. (n/n)	
pr. 12-74	Filed Order- that all parties hereto and their counsel are forbidden to communicate directly or indirectly with, or make statements to, potential or actual class members not formal, parties to this action concerning this action or the subject matter thereof without the prior approval of this Court as indicated. So ordered- FRANKEL, J. (n/n)	
r. 16-74	Filed stip & order adjourning defts. Ernest A. Alson and Arthur Stanton time from 4-8-74 to 5-8-74. So ordered- FRANKEL, J.	
r. 16-74	Filed ANSWER of defts. Avco Corp., The Paul Revere Corp., James R. Kerr and Alan S. Berk	WSP&R
pr. 22-74	Filed amended ANSWER of deft. Arthur Young & Co.	W&C WSP&R
pr. 22-74	Filed amended ANSWER of deft. Gordon M. Tuttle	
May 7-74	Filed stip & order that the time which plttf. Eddie L. Thompson, Jr. shall file his answers to deft. Avco Corp's first set of interrogs. is extended to 5-15-74 as indicated. So ordered- FRANKEL, J.	
May 10-74	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer is adjourned from 5-8-74 to 6-11-74. So ordered- FRANKEL, J.	
May 10-74	Filed plttfs. answers to deft. Arthur Young & Co's. interrogs.	
May 14-74	Filed ANSWER of deft. Hornblower & Weeks-Hemphill, Noyes, Inc. ("Hornblower")	MTH&M
May 15-74	Filed plttf. Eddie L. Thompson, Jr's answers to deft. Avco Corp.'s first interrogs.	
May 17-74	Filed plttfs' notice of taking depositions of the named defts. on the dates set forth as indicated.	
May 17-74	Filed ANSWER OF DEFT James R. Dempsey to the complaint.	WSP&R
May 22-74	Filed plttfs' first interrogs. to deft. Arthur Young & Co.	
May 22-74	Filed plttfs' first interrogs. to deft. Avco Corp.	
May 31-74	Filed plttfs' interrogs to deft. Hornblower & Weeks-Hemphill, Noyes	W&S
June 3-74	Filed ANSWER of deft. John R. Gosnell	
June 3-74	Filed plttfs' interrogs. to deft. John R. Gosnell	
June 3-74	PRE-TRIAL CONFERENCE HELD BY Judge U.S. MAG.	

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DATE	PROCEEDINGS
June 6-74	Filed pl'tffs' interrogs. to defts. Ernest S. Alson and Arthur Stanton
June 12-74	Filed stip & order adjourning defts. Ernest S. Alson and Arthur Stanton time to answer from 6-11-74 to 7-10-74. So ordered- FRANKEL, J.
June 17-74	Filed summons and return-served the following: Cartridge Television, Inc. by Barry Bohan on 3-22-74 Paul Revere Corp. by John Budd on 3-22-74 Avco Corp. by James Kerr on 3-27-74 (at Greenwich, Conn.) Avco Corp (NYC)-UNEXCUTED- 3-15-74 Paul Revere Corp. (NYC)-UNEXCUTED- 3-15-74 Cartridge Television, Inc. (NYC)-UNEXCUTED- 3-14-74 Hornblower & Weeks, Hemphill-Noyes by Howard A. Meyers, Jr. on 4-23-74 Arthur Young & Co. by Carl D. Ligio on 3-11-74 Frank Stanton- UNEXCUTED- 3-19-74 Victor Emalen-UNEXCUTED- 3-19-74 James R. Kerr on 3-27-74 Gordon M. Tuttle on 3-15-74 Arthur Stanton by Mrs. M. Greenberg on 3-19-74 Ernest S. Alson by Mrs. M. Greenberg on 3-19-74 Alan S. Berk on 3-27-74
June 17-74	Filed additional summons and return-served the following: John H. Gosnell on 5-10-74 Hornblower & Weeks-Hemphill Noyes, Inc. by H.G. Meyers on 5-2-74 Charles D. Brown on 5-1-74 James R. Dempsey by Edward W. Styrack on 5-1-74
June 25-74	Filed amended ANSWER of deft. John R. Gosnell
June 24-74	Filed deft. Avco Corp's answers and objections to first interrogs.
June 24-74	Filed deft. Arthur Young & Co's answers to interrogs.
June 28-74	Filed pl'tffs' affirmation of I. Walton Bader and notice of motion for an order compelling the deft. Avco Corp. to answer interrogs. indicated. Ret. 8-14-74
July 3-74	Filed stip & order extending the time of deft. Hornblower & Weeks-Hemphill, Noyes Inc. to answer interrogs. from 7-2-74 to 8-1-74. So ordered- FRANKEL, J.
July 3-74	Filed stip & order extending the time of deft. John R. Gosnell to answer interrogs. dated 6-3-74 to 8-9-74. So ordered- FRANKEL, J.
July 15-74	Filed designation of the Clerk for service of papers. M (6)
July 16-74	Filed ANSWER of deft. Charles D. Brown
July 22-74	Filed stip & order adjourning the time of defts. Ernest S. Alson and Arthur Stanton to answer from 7-10-74 to 8-12-74. So ordered- FRANKEL, J.
July 22-74	Filed stip & order adjourning defts. Ernest S. Alson and Arthur Stanton time to answer interrogs. from 8-8-74 to 8-12-74. So ordered- FRANKEL, J.
Aug. 2-74	Filed stip & order extending deft. Hornblower & Weeks-Hemphill, Noyes, Inc. time to answer first interrogs. from 8-1-74 to 9-6-74. So ordered- FRANKEL, J.
Aug. 9-74	Filed stip & order extending deft. John R. Gosnell's time to answer interrogs. dated 6-3-74 to 10-1-74.
Aug. 9-74	Filed deft. Paul Revere Corp. affdvt. of John B. Daniels and notice of motion for an order for summary judgment dismissing complaint as to said deft. Ret. 8-23-74
Aug. 9-74	Filed memorandum of law in support of motion of deft. Paul Revere Corp. for summary judgment.
Aug. 9-74	Filed deft. Paul Revere Corp. Statement pursuant to Rule 9 (g)
Aug. 9-74	Filed affdvt. of John R. Gosnell in support of motion of deft. Paul Revere Corp. for summary judgment.
Aug. 9-74	Filed affdvt. of John B. Daniels in support of the motion of deft. Paul Revere Corp. for summary judgment.

(CONT'D ON OTHER SIDE- PAGE # 4)

DATE	PROCEEDINGS
Aug 2-74	Filed affdvt. of John B. Daniels in opposition to pliffs' motion for an order to compel deft. Avco to answer certain interrogs. etc.
Aug. 14-74	Filed stip & order adjourning the time of defts. Ernest S. Alson and Arthur Stanton to answer the interrogs. from 8-12-74 to 9-16-74. So ordered- FRANKEL, J.
Aug. 14-74	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer the complaint is adjourned from 8-12-74 to 9-16-74. So ordered- FRANKEL, J.
Aug. 17-74	PRE-TRIAL CONFERENCE HELD BY GOETTEL, U.S. MAG.
Aug. 20-74	Filed pliff's affdvt. of Merrill Sands in opposition to motion for summary judgment by deft. Paul Revere Corp.
Aug. 20-74	Filed pliff's memorandum in opposition to deft. The Paul Revere Corp's motion for summary judgment.
Aug. 20-74	Filed pliffs. interrogs. to deft. The Paul Revere Corporation.
Aug. 23-74	Filed affdvt. of deft James R. Kerr in support of motion of Paul Revere for summary judgment
Aug. 23-74	Filed supplemental statement of James R. Kerr pursuant to rule 9g
Aug 23-74	Filed supplemental affdvt. of John B. Daniels, Esq. in support of motion of Paul Revere Corp. for summary judgment.
Aug. 23-74	Filed reply memorandum in support of Paul Revere summary judgment.
Aug. 23-74	Filed deft. The Paul Revere Corp's answers and objections to first interrogs.
Sep. 5-74	Filed deft. The Paul Revere Corp.'s affdvt. of John B. Daniels in opposition to pliff. motion to compel. m
Sept. 9-74	Filed stip. & order that time for deft Hornblower & Weeks to answer pliff's interrogs. is extended from 9-6-74 to 9-10-74... Frankel, J.
Sept 12-74	Filed stip & order that the time for deft Hornblower & Weeks Hemphill, Noyes Incorp. answer etc. is extended to 9-12-74. Frankel, J.
Sept 17-74	Filed report and recommendation of two (2) discovery motions made as indicated. Goette
Sept 19-74	Filed stip & order that the time for defts Ernest S. Alson and Arthur Stanton to answer is extended to 10-16-74. Frankel, J.
Sept 19-74	Filed stip & order that the time for defts E.S. Alson and A. Stanton to move etc., is ext 10-16-74. Frankel, J.
Sept 20-74	Filed memo & order that the Court concludes in sum that the motion for summary judgment should be denied, but without prejudice to renewal after the discovery proceedings now have been completed, completion embracing for this purpose rulings on disputed discovery and compliance therewith. Frankel, J. M/N
Sept 11-74	PRE-TRIAL CONFERENCE HELD BY GOETTEL, U.S. MAG.
Sept. 27-74	Filed pliffs. affirmation of L. Walton under and notice of motion for an order requiring deft. Hornblower & Weeks-Hemphill, Noyes, Inc. to answer first interrogs. of the pliffs. nos. 12, 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22. Ret. 10-3-74
Oct. 1-74	Filed memo endorsed on motion filed 8-28-74. Disposed of pursuant to oral directions of Hon. Gerard L. Goettel. So ordered- FRANKEL, J. (m/n)
Oct. 1-74	Filed pliffs. notice of motion for an order compelling the deft. The Paul Revere Corp. to answer interrogs. nos. 2, 3, 4, 5 and 6.
Oct. 1-74	Filed memo endorsed on motion filed 10-1-74. Disposed of pursuant to oral directions of Hon. Gerard L. Goettel. So ordered- FRANKEL, J. (m/n)
Oct. 2-74	Filed stip & Order that pliffs' Rule 37 motion is adjourned from 10-3-74 to 10-29-74. So ordered- GOETTEL, US Mag.
Sep. 27-74	Filed deft. The Paul Revere Corp. supplemental answers to first interrogs.
Oct. 3-74	PRE-TRIAL CONFERENCE HELD BY GOETTEL, U.S. MAG.
Oct. 11-74	Filed pliffs. second interrogs. to deft. The Paul Revere Corp.
Oct. 11-74	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer pliffs interrogs. is adjourned from 10-16-74 to 11-16-74. So ordered- FRANKEL, J.
Oct. 11-74	Filed stip & order extending the time of defts. Ernest S. Alson and Arthur Stanton to answer complaint from 10-16-74 to 11-16-74. So ordered- FRANKEL, J.

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(CONT'D - PAGE #5)

(FRANKEL, J.)

DATE	FILINGS—PROCEEDINGS	AMOUNT REPORTED IN EMOLUMENT RETURNS
st. 21-74	Filed pliffs' second interrogs. to deft. Arthur Young & Co.	
st. 21-74	Filed pliffs' notice of taking depositions of the parties named at the places, dates and times indicated.	
st. 23-74	Filed deft. The Paul Revere Corp. affdvt. of John B. Daniels and notice of motion for an order requiring pliff. Eddie L. Thompson, Jr. to post a bond pursuant to Local Rule 2. Ret. 11-1-74	
st. 23-74	Filed memorandum of deft. The Paul Revere Corp. in support of its motion for security for its costs directed against pliff. Eddie L. Thompson, Jr.	
st. 23-74	Filed deft. The Paul Revere Corp. affdvt. of John B. Daniels	
st. 22-74	Filed deft. Arthur Young & Co.'s notice of taking deposition of I. Walton Bader, Esq. on 10-30-74	
st. 25-74	Filed deft. "Hornblower" affdvt. of Norman R. "elson in opposition to pliffs' Rule 37 motion to compel.	
Oct. 29-74	Filed pliffs' notice of taking deposition of White & Case on 12-9-74	
Nov. 1-74	Filed stip & order extending deft. John R. Gosnell's time to answer interrogs. dated 6-3-74 to 11-1-74. So ordered- FRANKEL, J.	
Nov. 4-74	Filed deft. Arthur Young & Co. affdvt. of Laura Banfield and notice of motion for an order granting summary judgment dismissing the complaint as to said deft. Ret. 11-19-74.	
Nov. 4-74	Filed memorandum of law in support of deft. Arthur Young & Co.'s motion for summary judgment or for security for costs.	
Nov. 4-74	Filed deft. Arthur Young & Co. Statement pursuant to Rule 9 (g) A (2)	
Nov. 4-74	Filed deft. John R. Gosnell answers and objections to interrogs.	
Nov. 6-74	Filed stip & order that pliffs' Rule 37 motion to compel further answers to interrogs 13, 14, 15, 16, 17, 18, 19, 20, 21 and 22 is withdrawn. So ordered- GOETTEL, U.S. Mag.	
Nov. 6-74	Filed memo endorsed on motion filed 9-27-74. Motion disposed of by stip. of parties & rulings at arguments agreed to by the parties, Goettel, U.S. Mag.	
Nov. 6-74	Filed stip & order that pliffs' Rule 37 motion to compel further answers to interrogs 4, 5, 6, and 8 is withdrawn. So ordered- GOETTEL, U.S. Mag.	
Nov. 6-74	Filed memo endorsed on motion filed 9-27-74. Motion disposed of by stip. of parties and rulings at argument agreed to by the parties. Goettel, U.S. Mag.	
Nov. 7-74	Filed stip & order that the deposition of the deft. Avco Corp. previously noticed for 11-14-74, is adjourned sine die and may be rescheduled after 11-14-74, etc. So ordered- FRANKEL, J.	
Nov. 7-74	Filed stip & order that the time which the deft. The Paul Revere Corp. may answer to pliff's second interrogs. is extended to 1-6-75 So ordered- FRANKEL, J.	

71 CIV. 731 Page 6 FRANKEL, J.

DATE	FILINGS—PROCEEDINGS	AMOUNT REPORTED IN EMOLUMENT RETURNS
Nov. 4-74	PRE-TRIAL CONFERENCE HELD BY Goettel, U.S. MAG.	
Nov. 8-74	Filed pliffs' affirmation of I. Walton Bader and notice of motion for an order to compel answers to interrogs. on the part of deft. John R. Gosnell (To MAS 6)	
Nov. 11-74	Filed pliffs' affirmation of I. Walton Bader and notice of motion for an order to amend the caption of this action and as indicated. Ret. 11-27-74 (To MAS 6)	
Nov. 14-74	Filed stip & order- at pliff's request the motion of deft. Arthur Young & Co. for summary judgment or for security for costs, presently retble 11-19-74, is adjourned to 11-29-74, and pliff's opposing papers to be served no later than 11-26-74 and at pliff's further request, discovery presently pending between Arthur Young and pliff. is adjourned etc. as indicated. So ordered- FRANKEL, J.	
Nov. 15-74	Filed deft. John R. Gosnell affdvt. of Peter W. Williamson in opposition to to pliffs' motion to compel further answers to their interrogs.	
Nov. 18-74	Filed stip & order that the time of defts. Ernest A. Alson and Arthur Stanton to answer the interrogs. is adjourned from 11-16-74 to 12-16-74. So ordered- FRANKEL, J.	
Nov. 18-74	Filed stip & order that the time of defts. Ernest A. Alson and Arthur Stanton to answer complaint is adjourned from 11-16-74 to 12-16-74. So ordered- FRANKEL, J.	
Nov. 15-74	PRE-TRIAL CONFERENCE HELD BY Goettel, U.S. MAG.	
Nov. 19-74	Filed memo endorsed on motion filed 11-8-74. Motion withdrawn pursuant to stipulation between counsel, entered in open court on arguments of the motion, disposing of objections. Goettel, U.S. Mag.	
Nov. 19-74	Filed stip & order that the deposition of Hornblower & Weeks-Hemphill, Noyes, Inc. by Thar W. Kelle, Jr., noticed by pliffs. for 11-20-74 and the time for Hornblower & Weeks-Hemphill, Noyes, Inc. to respond, etc. to the request for documents contained in pliffs' notice of taking testimony dated 10-15-74 are adjourned without date. So ordered- FRANKEL, J.	
Nov. 26-74	Filed deft. John R. Gosnell's answers to amended interrogs.	
Nov. 27-74	Filed deft. John R. Gosnell answers to amended interrogs.	
Dec. 9-74	Filed deft. Hornblower & Weeks-Hemphill, Noyes, Inc. memorandum in opposition to pliffs' motion to amend the caption and the complaint and to discontinue the action	
Dec. 10-74	Filed deft. Arthur Young & Co. affdvt. of Laura Banfield in opposition to pliffs' motion to amend the complaint.	
Dec. 13-74	Filed pliffs' affdvt. of George Abramson in opposition to motion for summary judgment by deft. Arthur Young & Co.	
Dec. 13-74	Filed memorandum in opposition to motion by deft. Arthur Young & Co. for summary judgment and for security and attorney fees.	

CIVIL DOCKET

(PAGE # 1)

FRANKEL, J.

DATE	FILINGS-PROCEEDINGS	AMOUNT REPORTED IN EMOLUMENT RETURNS
Dec. 13-74	Filed plttfs' affdvt. of Lowell M. Reed in opposition to motion for summary judgment by deft. Arthur Young & Co.	
Dec. 13-74	Filed stip & order extending the time of defts. Ernest S. Alson and Arthur Stanton to answer the complaint from 12-16-74 to 1-16-75. So ordered- FRANKEL, J.	
Dec. 13-74	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer the interrogs. is adjourned from 12-16-74 to 1-16-75. So ordered- FRANKEL, J.	
Dec. 18-74	Filed report and recommendation of Magistrate Gottel with respect to plttf's motion seeking multiple relief..	
Dec. 18-74	Filed report and recommendation of Magistrate Goettel with respect to deft's motion for class determination until 60 days after completion of discovery. I recommend the Court allow an adjournment. To 3-10-75	
Jan. 2-75	Filed stip & order that the time within which the deft. The Paul Revere Corp. may answer, etc. to plttfs' second set of interrogs. is extended to 3-10-75. So ordered- FRANKEL, J.	
Jan. 3-75	Filed plttfs' affdvt. of I. Walton Bader and notice of motion for an order extending the time for plttfs to move for a determination under FRCP 23(a)(1) that this action proceed as a Class Action until 60 days subsequent to the completion of discovery by all parties, etc.	
Jan. 3-75	Filed memo endorsed on motion filed 1-3-75. This motion is granted to the extent of determining that the time to apply for an order respecting the propriety of maintaining the suit as a class action shall be extended to 3-10-75, etc. as indicated. It is so ordered- FRANKEL, J. (m/n)	
Jan. 3-75	Filed memo endorsed on motion filed 11-11-74.- the motion is granted in the following respects : 1- deft. Cartridge Television Inc may be replaced by substitution of Stanley Tolchin as Trustee of Cartridge Television, Inc. 2- the action is discontinued with prejudice as to the initial plttf. Independent Investor Protective League 3- the caption is amended to reflect the above changes in parties and that, in all other respects the motion is denied. So ordered- FRANKEL, J.	
Jan. 8-75	Filed memorandum for counsel as indicated. FRANKEL, J. (m/n)	
Jan. 15-75	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer the complaint is adjourned from 1-16-75 to 2-16-75. So ordered- FRANKEL, J.	

(CONTINUED -PAGE # 8--other side)

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DATE	FILED—PROCEEDINGS	AMOUNT REPORTED IN EMOLUMENT RETURNS
Jan. 15-75	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer the interregs. is adjourned from 1-16-75 to 2-16-75, So ordered- FRANKEL, J.	
Jan. 15-75	^{opinion #} Filed memorandum #41742 deft Arthur Young & Co. has moved for summary judgment. Since this primary effort succeeds, the court does not reach the alternative prayer for security for costs.*****The motion for summary judgment is granted. The complaint is dismissed as against deft A. Young & Co... So ordered.... Frankel, J. (Mailed notice)	
Jan. 17-75	Filed transcript of record of proceedings dated 1-13-75	
Jan. 17-75	Filed Memorandum—a bond in the amount of \$2,500 is ordered at this time, without prejudice to an application for increase at a date six months or more from now upon a specific and detailed showing of insufficiency. It is so ordered- FRANKEL, J. (m/n)	
Jan. 27-75	Filed deft. Arthur Young & Co. affdvt. of P.B. Kenrad Knake and notice of motion for an order pursuant to Rule 54 (b) FRCP determining that there is no just reason for delay in the entry of final judgment in favor of said deft. & directing the Clerk to enter final judgment. Ret. on 2-6-75.	
Jan. 30-75	Filed pliffs. affirming of I. Walton Bader on motion retble 2-6-75	
Feb. 11-75	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer the complaint is adjourned from 2-16-75 to 3-16-75. So ordered- FRANKEL, J.	
Feb. 11-75	Filed stip & order that the time of defts. Ernest S. Alson and Arthur Stanton to answer the interregs. is adjourned from 2-16-75 to 3-16-75. So ordered- FRANKEL, J.	
Feb. 21-75	Filed Order and Judgment of dismissal as to deft. Arthur Young & Co. on the merits, with prejudice, and the Clerk is directed to enter final judgment. FRANKEL, J. Judgment entered-2-21-75. Clerk (m/n)	
Feb. 27-75	Filed deft. The Paul Revere Corp. notice of motion for an order for an order to dismiss pursuant to Rule 41 (b). Ret. 3-10-75	
Feb. 27-75	Filed deft. The Paul Revere Corp. affdvt. of John B. Daniels in support of motion to dismiss.	
Feb. 27-75	Filed Memorandum of deft. The Paul Revere Corp. in support of its motion to dismiss	
Feb. 28-75	Pre-trial conference held by Goettel, U.S. Mag.	
March 3-75	Filed pliff. Eddie L. Thompson, Jpl. individually, etc. notice of appeal from Order and Judgment of Dismissal as to deft. Arthur Young & Co. entered on 2-21-75. Copies to: White & Case- Shea, Gould, etc.- Winthrop Stimson, etc.- Milbank, Tweed, Otterbourg, Steindler, etc. and Williamson & Schaeffer. Entered- 3-4-75	

(CONT'D) — PAGE # 9

DATE	PROCEEDINGS
March 5-75	Filed Undertaking for costs on appeal in the sum of \$250.00 - National Surety Corporation
March 7-75	Filed stip & order of discontinuance with prejudice and without costs as to deft. The Paul Revere Corp. So. ordered - FRANKET, J.
March 13-75	Filed transcript of proceedings. 1-13-75
March 12-75	Filed deft. Arthur Young & Co. notice of appeal from order and judgment of dismissal entered on 2-21-75. Copies to: Bader & Bader- Williamson & Schoemack Milbank Tweed Hadley & McCloy- Winthrop Stimson Putnam & Roberts- Charles D. Bro Shea Gould Climenko & Kramer- Wachtell, Manheim & Grouf. Entered 3-13-75

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

S.D. OF N.Y.

MAR 3 1 29 PM '75

U.S. DISTRICT COURT

INDEPENDENT INVESTOR PROTECTIVE LEAGUE, in
of its membership affected; EDDIE L.
THOMPSON, JR., individually and in behalf of
all persons similarly situated and
circumstanced,

Plaintiffs

-against-

Civil Action
74 Civil 731 MEF

DEFENDANTS: CORPORATION, JOHN H. GOSNELL, PAUL REVERE
CORPORATION, CARTRIDGE TELEVISION, INC., HORNBLOWER
WEEKS-HEMPHILL NOYES, INC., ARTHUR YOUNG & COMPANY,
JAMES R. KERR, FRANK STANTON, CHARLES D. BROWN,
SAMUEL W. GELFMAN, DONALD F. JOHNSON, DENIS B.
KLEWICZ, ERNEST S. ALSON, ALAN S. BERK, JAMES R.
PMPSEY, W. VICTOR EMMALEH, ARTHUR STANTON,
EDMOND M. TUTTLE, HARLAND A. BASS, THOMAS J.
MULLIVAN, GEORGE S. TRIMBLE, "JOHN DOE" and
"RICHARD ROE", the names "JOHN DOE" and
"RICHARD ROE" being fictitious, the parties
intended being those officers, directors and/or
employees of the defendants who participated in
the unlawful acts as alleged herein,

-----Defendants-----

NOTICE OF APPEAL

SIRS:

PLEASE TAKE NOTICE that EDDIE L. THOMPSON, JR., individually
and in behalf of all other persons similarly situated and
circumstanced, hereby appeals to the United States Court of
Appeals for the Second Circuit from each and every part of an Order
and Judgment of Dismissal as to the defendant ARTHUR YOUNG & COMPANY

The said Order and Judgment was made on February 19th,
1974 and Judgment was entered by the Clerk of this Court on
February 21st, 1975.

dated : March 3rd, 1975

WHITE & CASE, Esqs.
Attorneys for Defendant
ARTHUR YOUNG & COMPANY
14 Wall Street
New York, N.Y.

SHEA, GOULD, etc., Esqs.
300 Madison Avenue
New York, N.Y.
Attorneys for Defendants
ERNEST S. ALSON and ARTHUR STANTON

WINTHROP, STIMSON, PUTNAM & ROBERTS, Esqs.
Attorneys for defendants AVCO CORPORATION,
PAUL REVERE CORPORATION, JAMES R. KERR,
DONALD F. JOHNSON, ALAN S. BERK, JAMES R.
DEMPSEY, GORDON M. TUTTLE, HARLAND A. BASS
THOMAS J. SULLIVAN and GEORGE S. TRIMBLE

MILBANK, TWEED, etc.
Attorneys for Defendant HORNBLOWER
1 Chase Manhattan Plaza
New York NY 10005

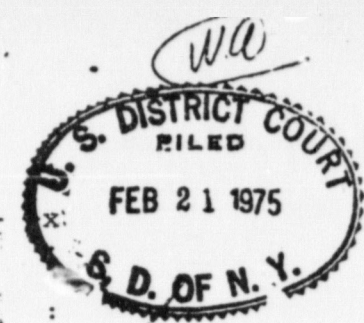
OTTERBOURG, STEINDLER, etc.
Attorneys for Defendant
CARTRIDGE TELEVISION, INC.
230 Park Avenue
New York, N.Y.

WILLIAMSON & SCHOEMAN, Esqs.
Attorneys for Defendant GOSNELL
60 East 42nd Street
New York, N.Y.

Yours, etc.

BADER and BADER
Attorneys for Plaintiffs
270 Madison Avenue
New York NY 10016

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



INDEPENDENT INVESTOR PROTECTIVE
LEAGUE, in behalf of its membership
affected; EDDIE L. THOMPSON, Jr.,
individually and in behalf of all
persons similarly situated and
circumstanced,

: 74 Civ. 731 (MEF)

Plaintiffs,

-against-

AVCO CORPORATION, JOHN H. GOSNELL,
PAUL REVERE CORPORATION, CARTRIDGE
TELEVISION, INC., HORNBLOWER & WEEKS-
HEMPHILL NOYES, INC., ARTHUR YOUNG &
COMPANY, JAMES R. KERR, FRANK STANTON,
CHARLES D. BROWN, SAMUEL W. GELFMAN,
DONALD F. JOHNSON, DENIS B. TRELEWICZ,
ERNEST S. ALSON, ALAN S. BERK, JAMES R.
DEMPSEY, W. VICTOR EMMALEH, ARTHUR
STANTON, GORDON M. TUTTLE, HARLAND A.
BASS, THOMAS J. SULLIVAN, GEORGE S.
TRIMBLE, "JOHN DOE" and "RICHARD ROE"
being fictitious, the parties intended
being those officers, directors and/or
employees of the defendants who partici-
pated in the unlawful acts as alleged
herein,

Defendants.

: ORDER AND
: JUDGMENT OF
: DISMISSAL AS TO
: DEFENDANT ARTHUR
: YOUNG & COMPANY

-----x

Plaintiffs Independent Investor Protective League
and Eddie L. Thompson having commenced this action against
defendant Arthur Young & Company ("Arthur Young") and others,
and Arthur Young having moved for an order pursuant to Rule
56, F.R.C.P. dismissing the complaint as against Arthur
Young, or in the alternative requiring plaintiffs to post
security for costs, and this action having been discontinued
with prejudice as to plaintiff Independent Investor Protective

League, upon motion of plaintiffs, by order entered January 3, 1975, and the motion of Arthur Young for summary judgment having come on for argument before the Court on January 13, 1975, and due deliberation having been had thereon, and the Court having granted said motion by memorandum opinion and order entered January 15, 1975, and Arthur Young having moved this Court for an order pursuant to Rule 54(b), F.R.C.P., and said motion having duly come on to be heard and granted,

IT IS HEREBY ORDERED AND ADJUDGED that the complaint and the action be, and the same hereby are dismissed as against defendant Arthur Young on the merits, with prejudice; and the Court further determines pursuant to Rule 54(b) of the Federal Rules of Civil Procedure that there is no just reason for delay in the entry of final judgment dismissing the complaint and action as against Arthur Young, and the clerk is directed to enter final judgment accordingly.

Dated: New York, New York
February 19, 1975

Marvin E. Frankel
Marvin E. Frankel
United States District Judge

JUDGMENT ENTERED,
this 21st day of February,
1975.

Raymond F. Burphardt
Clerk

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FILED
CLERK
3 39 PM '75
J.O.F.M.Y.

----- x
INDEPENDENT INVESTOR PROTECTIVE :
LEAGUE, et al., :
 :
Plaintiffs, :
 :
-against- :
 :
AVCO CORPORATION, et al., :
Defendants. :
----- x

#41742

74 Civ. 731
MEMORANDUM

FRANKEL, D.J.

Defendant Arthur Young & Company has moved for summary judgment. Since this primary effort succeeds, the court does not reach the alternative prayer for security for costs.

Arthur Young is among an array of corporate and individual defendants from whom the plaintiff seeks to recover for losses on purchases of the stock of defendant Cartridge Television, Inc. (Cartridge). Cartridge, now in bankruptcy, was organized and financed with a great deal of public money to develop and market a color video tape cartridge system. Having lost on his investment in that seemingly attractive goal, plaintiff sues, ostensibly as representative of a class, for what he now asserts were a

series of false and misleading statements in a prospectus and elsewhere. He alleges there were false projections as to when sales would occur, false claims of patents and patent prospects, unlawful "touting" of Cartridge's stock, use of insider information, antitrust violations that depressed the price of the stock, and, without exhausting the list, false and misleading statements of Cartridge's financial condition.

The present movant, the bankrupt company's independent auditing firm, is in the roster of defendants because of its role in what plaintiff alleges was a false and misleading prospectus and, secondarily, for other, allegedly misleading statements as to Cartridge's finances. The gist of the complaint, essentially all of it as to Arthur Young, is paragraph Forty-Sixth:

"In the said financial statements, the financial picture of the operations of Cartridge Television, Inc. is completely distorted by the carrying of current expenses (referred to as 'research and preoperating costs') as 'deferred expenses.' Thus the poor financial picture of Cartridge Television, Inc. (which caused it to file a Petition in Bankruptcy in June, 1973) was completely masked in the financial information submitted. Furthermore the said Defendants did not charge depreciation with respect to the production facilities and equipment of Cartridge Television, Inc., further masking the true financial position of said corporation."

Upon the undisputed facts, these assertions, even as shifted from time to time or elaborated in responses to interrogatories, are seen neither to state nor to forecast any legitimate reason for keeping Arthur Young & Company in this case as a defendant. It is clear beyond factual or legal question that this firm of accountants did its work responsibly, lawfully, and conformably to S.E.C. regulations, misleading neither the plaintiff nor anyone else in any actionable or realistic sense, and revealing plainly the very facts which plaintiff finds in the questioned documents and then describes as having been "completely masked."

Cartridge was at the material times in the "development or promotional stage. . . ." Applicable S.E.C. regulations, 17 CFR §210.5a-02 (14) (1972), said such companies "shall comply with . . . conditions" which included inter alia, an accounting format under which "assets" were included in the same statement with "unrecovered costs incurred in promotion . . . and development." The documents plaintiff assails followed this direction. Moreover, clear and sufficient notes explained that this was being done and what it signified. Plaintiff's belated insistence that he

did not understand, apart from his failure to claim clearly that he was ever misled, may be accepted as true. It does not make the proper, sufficient, and even required form of accounting an actionable wrong.

There is argument that Cartridge was not in the "development stage" at pertinent times, but that the disputed sums had been dissipated for an "abandoned experiment." This is a locution without business or legal significance in the case.

Plaintiff also argues that Cartridge should have stopped reporting as a developing company in March rather than November 1972, because the earlier date was a time of substantial receipts from sales of products. There is no persuasive force in this. The accounting and management judgment from which plaintiff dissents was reasonable, permissible, and in no wise misleading.

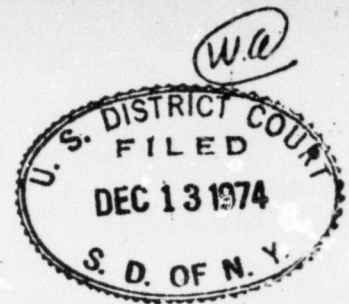
The motion for summary judgment is granted. The complaint is dismissed as against defendant Arthur Young & Company.

It is so ordered.

Dated: New York, New York
January 15, 1975

Marvin E. Fraubel
U.S.D.J.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK



-----X
INDEPENDENT INVESTOR PROTECTIVE LEAGUE,
ET AL.,

74 CIV. 731 (MEF)

Plaintiffs,

-against-

AVCO CORPORATION, ET AL.,

Defendants.
-----X

AFFIDAVIT OF LOWELL M. REED IN
OPPOSITION TO MOTION FOR
SUMMARY JUDGMENT BY DEFENDANT
ARTHUR YOUNG & COMPANY

STATE OF : SOUTH CAROLINA)
COUNTY OF : SPARTANBURG) ss.:

LOWELL M. REED, being duly sworn, deposes and says:

I am a Certified Public Accountant engaged in the
practice of Accountancy at 217 North Fairview Avenue,
Spartanburg, South Carolina.

I received my Certification in 1950 and have been
practicing Accountancy since that time, with the exception of
the years 1952 to 1953, when I was employed by the Audit
Agency of the United States Army.

I also have taught Accountancy at Wofford College.
I am familiar with generally accepted Accounting

practices and, in my opinion, the Accounting practices utilized by ARTHUR YOUNG & COMPANY in connection with the Prospectus of July 13, 1971, and the Annual Reports of 1971 and 1972 of CARTRIDGE TELEVISION, INC., as well as the 10K Reports filed with the SEC for 1971 and 1972, contain financial information which omits to state material facts necessary in order to make the statements, in the light of the circumstances under which they were made, not misleading.

Furthermore, these financial statements are, in my opinion, deceptive devices and contrivances.

Furthermore, the financial statements contained in the above Reports are, in my opinion, misleading with respect to material facts.

Since the above statements are conclusory statements, on my part, I shall now set forth the reasons for my opinion:

In the financial statements set forth in the Prospectus, the sum of \$6,075,700 is "deferred" and, generally, denominated "Research and Operating Costs". While, at the time that the Prospectus was issued on July 13, 1971, it was permissible to defer Research and Development Expenses for companies in the developmental stage, such deferral was not permitted for a company which, clearly, was not in such developmental stage. On Page 3 of the Prospectus,

the following statement appears:

**** "the Company incurred approximately \$6,076,000 of research and preoperating costs in developing its CARTRIVISION system, and it estimates that at least an additional \$7,509,000 of preoperating costs must be incurred before the first units can be sold. For financial reporting purposes, research and preoperating costs will be amortized over a 36-month period commencing when sales of the Company's products are first made. (See Note 1 to the financial statements). The Company also estimates that approximately \$8,640,000 will be spent to acquire additional capital equipment and tooling before the first units can be sold." ****

A company, in my opinion, which has spent, approximately, \$6,000,000 and estimates an expenditure of \$7,000,000 before any units could be sold, is not a company in the developmental stage.

The so-called "Research and preoperating costs" actually constitute "unsuccessful experimentation" and, therefore, the deferral of the expenditures was improper.

Further, turning to the financial statements where the so-called "Research and preoperating costs" are itemized, there are two items which I question. One is the sum of \$393,779 (Page 23 of the Prospectus) which is loosely denominated as Avco's "production startup costs" without any itemization as to what this figure consists of and the further amount of \$208,590 listed as "other" without any itemization of such figure. It is noted that the two items total \$602,369 which amounts to, approximately, 10% of the \$6,075,700 of "Research and preoperating costs". Furthermore, there is a figure of \$1,593,483 listed as "accrual adjustments" without any specification as to what this figure involves.

There is also an item on Page 23 of the Prospectus of \$60,521 for so-called "Patent Applications". This is not broken down and may very well involve the infringement problem which is hinted at on Page 11 of the Prospectus.

In addition, it is noted that Page 26 of the Prospectus, Item 5, indicates that the Research and preoperating costs, which the Company has deferred for financial statement purposes, are claimed as deductions for Federal

Income Tax purposes in the year incurred. This procedure is permissible, but some note of how much was included as a deduction for income taxes should be included in the note of explanation to avoid misunderstanding.

We now come to the 10K Report for 1971. It is noted that Avco's Production Startup costs, again unitemized, are now \$1,242,852, while the "other" unitemized item is \$1,085,986. Accrual adjustments, otherwise unspecified, are now \$1,061,349. The "Research and preoperating costs" are now up to \$10,434,448.

If the two items of \$1,242,852 and \$1,085,956 are added together, they represent, approximately, 20% of the total "Research and preoperating costs". This is obviously not proper Accounting practice and the financial statements are, therefore, misleading. It is also noted that as of the filing of the 1971 10K Report with the SEC, on February 28, 1972, sales did not actually commence at the time that this Report was filed.

Now turning to the 1972 10K Report, the "Research and preoperating costs now called "Research, preoperating and startup costs" are now \$31,280,487. The breakdown of this figure now indicates a figure of \$9,693,116 against an entry called "Avco Corporation" and the so-called explanatory note, apparently, Note "c" on Page F-10 of the 10K Report, does not give a rational explanation of the item. The "other" item is now \$3,051,914 without any explanation as to what this item consists of. "Accrual adjustments"

dividually joined in this action

without any breakdown, are now listed at \$11,829,027 without any explanation as to what this item consists of. In my opinion, this constitutes a misleading financial report. Under all of these circumstances, I respectfully submit that the financial statements Certified by the Defendant ARTHUR YOUNG & COMPANY are not in accordance with the standards required for such Reports.

SWORN TO BEFORE ME

Lowell M. Reed
Lowell M. Reed

THIS 2 DAY OF

DECEMBER, 1978

W. H. Cheney

NOTARY PUBLIC, for South Carolina

My commission expires: April 11, 1982

separate actions is minimal because generally,
S. D. OF N. Y. *W*
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

INDEPENDENT INVESTOR PROTECTIVE LEAGUE et. al.

Plaintiffs

against

Civil Action
74 CIVIL 731 MEF

AVCO CORPORATION et. al.

Defendants

AFFIDAVIT OF GEORGE ABRAMSON IN
OPPOSITION TO MOTION FOR SUMMARY
JUDGMENT BY DEFENDANT ARTHUR YOUNG
& COMPANY

STATE OF GEORGIA

ss:

COUNTY OF FULTON

GEORGE ABRAMSON, being duly sworn, deposes and says:

I am one of the officers, to wit, the President, of
PATENTS MANAGEMENT CORPORATION, a Georgia Corporation, having its
office at Georgia Savings Bank Building, Atlanta, Georgia.

PATENTS MANAGEMENT CORPORATION is an organization
engaged in the appraisal, promotion, and development of patents and
inventions and has been in business since 1950.

I have read the prospectus of CARTRIDGE TELEVISION,
INC. which claims that this company is a company in the development
stage.

In my opinion, on the date of the prospectus,
CARTRIDGE TELEVISION, INC. was not a company in the developmental

... by reason of the fact that the prospectus indicates that at least \$7,509,000 of additional preoperating costs would have to be incurred before the item involved would be saleable. The total amount expended, at that time, for preoperating costs was \$6,076,000.

Based upon these figures it is my opinion that the company was involved in a mere abandoned experiment and the costs originally incurred would not be properly deferrable.

Furthermore, in my opinion, since the company could not assure a clear patent title to its device since it had a claim of patent infringement made against it at the time of the prospectus, it could not be properly considered a company in the developmental stages where research and development costs could have been deferred

Sworn to before me

this 4 day of December

James G. [Signature]
Notary Public

Notary Public, Georgia State of 1968
My Commission Expires Nov. 5, 1975

George Abramson
George Abramson

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

INDEPENDENT INVESTOR PROTECTIVE LEAGUE
et al.

Plaintiffs

Civil Action
74 Civil 731 MEF

against

AVCO CORPORATION et. al.

Defendants

AFFIDAVIT OF EDDIE L. THOMPSON, JR.

STATE OF SOUTH CAROLINA

ss:

COUNTY OF

EDDIE L. THOMPSON, JR., being duly sworn, deposes and

says:

I am one of the plaintiffs in the above-entitled action and am fully familiar with the facts and circumstances thereof.

I make this affidavit in opposition to the Motion for Summary Judgment made by the defendant ARTHUR YOUNG & COMPANY.

Despite the claim made by ARTHUR YOUNG & COMPANY that all of the financial statements in the prospectus, 10K and annual reports of CARTRIDGE TELEVISION, INC. were made in accordance with approved accounting practices, insofar as I was concerned I was misled.

I have been informed by my attorney that even if balance sheets are prepared in accordance with approved accounting

practices an accountant preparing these statements will still be liable to any party misled if the statements would mislead him.

Since I am not an accountant I have submitted, on this motion, an affidavit of Mr. Reed, who is a certified public accountant with respect to his conclusions with respect to the failure of the defendant ARTHUR YOUNG & COMPANY to prepare the various financial statements of CARTRIDGE TELEVISION, INC. In accordance with proper accounting practice. I will, of course, not repeat Mr. Reed's conclusions but will simply set forth wherein I was misled.

In the prospectus on page 22 there is what purports to be a "Balance Sheet". The part of the statements, which I believed to cover "Assets" is called "Statement of Assets, Intangibles and Deferrals". I assumed that "Intangibles and Deferrals" were a species of Assets and not, in effect, expenses which were not charged. The part of the "Assets" column which covers "Intangibles and Deferrals" is not clearly separated from the true "Asset" portion of the column, which, of course, makes it misleading to me. The so-called "Research and Pre-Operating Costs", amounting to \$6,075,700 are not properly broken down on page 23. Furthermore there is no explanation of the word "Historical" or "Pro Forma unaudited" on page 22.

Using my "layman's approach" I therefore felt that CARTRIDGE TELEVISION, INC. had a net worth of \$7,610,500 [subtracting \$1,841,283 from \$9,451,783] and, coupled with the prospects for a new product, this made a proper investment for me. Had I known

that, in fact, the company, CARTRIDGE TELEVISION, INC. was insolvent in an amount of \$5,625,721 [subtracting the liabilities of \$7,891,283 from the assets of \$2,265,562] I would certainly not have purchased stock in this company.

The annual report for 1971 continues this misleading financial reporting. The purported "Assets" for 1971 are \$29,374,131 (page 9 of the report) and the purported "Liabilities" are \$1,933,237. This would give a purported "Net Worth" to the company of \$27,440,894 which checks with the last figure on page 9. Actually, of course, the company had a net worth, at that time, of no more than \$16,818,503 [deducting the false asset of \$10,522,391]. This meant, of course, that the company had lost substantial sums since it had received some \$20,000,000 in stock proceeds the preceding year.

The annual report for 1972 continues the misleading financial reporting. The purported assets are listed at \$48,057,635 and the liabilities at \$20,616,741 giving an apparent net worth to the company of \$27,440,897 (page 4 of the report). In actuality, however, the company was insolvent and had a negative net worth of \$3,967,010 [deducting the liabilities of \$20,616,741 from the true assets of \$16,649,731].

Finally I would like to comment on the request made by the defendant ARTHUR YOUNG & COMPANY that I be required to deposit Security for Costs, and security for an prospective award of attorneys fees as provided by Section 18 et, seq. of the Securities and Exchange Act of 1934 (15 USC 78r). I have been informed by my attorney that such an undertaking is granted only when two factors

are present. These factors are (1) the claim made by the plaintiff is a very small amount (even though the Class Claims may be large) and (2) the claim has little merit to support it.

In the present case neither factor is present. My own aside from the Class Claims, exceed \$250,000 and the claims of those who have joined with me in this action exceed \$600,000. The merits of the claims involved are readily apparent from the opposing and moving affidavits and therefore this branch of the motion should be denied.

WHEREFORE the undersigned prays that this motion be in all respects denied.

Sworn to before me

this 24 day of December 1974

Eddie L. Thompson, Jr.
Eddie L. Thompson, Jr.

JUDGE EDWARDS

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

34 CIV 731

-----x
INDEPENDENT INVESTOR PROTECTIVE LEAGUE, in
behalf of its Membership affected;
EDDIE L. THOMPSON, JR., individually and in
behalf of all other persons similarly
situated and circumscribed,

Plaintiffs,

-against-

AVCO CORPORATION, JOHN H. GOSNELL, PAUL REVERE
CORPORATION, CARTRIDGE TELEVISION, INC.,
HORNBLOWER & WEEKS-HEMPHILL, NOYES, INC.,
ARTHUR YOUNG & COMPANY, JAMES R. KERR,
FRANK STANTON, CHARLES D. BROWN,
SAMUEL W. GELFMAN, DONALD F. JOHNSON,
DENIS B. TRELEWICZ, ERNEST S. ALSON,
ALAN S. BERK, JAMES R. DEMPSEY,
W. VICTOR ELMALAH, ARTHUR STANTON,
GORDON M. TUTTLE, HARLAND A. BASS,
THOMAS J. SULLIVAN, GEORGE S. TRIMBLE,
"JOHN DOE" and "RICHARD ROE" the Names
"JOHN DOE" and "RICHARD ROW" being fictitious,
the parties intended being those Officers,
Directors and/or Employees of the Defendants
who participated in the unlawful acts as
alleged herein,

Defendants.

FILED
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S.D. OF N.Y.
CIVIL ACTION
74 CIV

CLASS ACTION

JURY TRIAL
DEMANDED

COMPLAINT

-----x
COUNT ONE

Plaintiffs, for their Complaint herein, respectfully
show to this Court and allege:

FIRST: Plaintiff INDEPENDENT INVESTOR PROTECTIVE LEAGUE

is an unincorporated association of investors who have banded together for their mutual protection. Plaintiff has its office and place of business at 19 West 24th Street, New York, N.Y.

SECOND: Plaintiff EDDIE L. THOMPSON, JR. is a Member of the Plaintiff INDEPENDENT INVESTOR PROTECTIVE LEAGUE. Said Plaintiff resides within the State of North Carolina and is a stockholder of the Defendant CARTRIDGE TELEVISION, INC. Said Plaintiff purchased and sold shares of CARTRIDGE TELEVISION, INC. during the time periods alleged herein.

THIRD: Defendant CARTRIDGE TELEVISION, INC. is, on information and belief, a Corporation duly organized and existing under the Laws of the State of Delaware, having its principal office and place of business at 460 Park Avenue, New York, N. Y. This Defendant is in Chapter 11 proceedings in the United States District Court for the Southern District of New York.

FOURTH: Defendant AVCO CORPORATION is, on information and belief, a Corporation duly organized and existing under the Laws of the State of Delaware, having an office and place of business at 750 Third Avenue, New York, N.Y.

FIFTH: Defendant HORNBLOWER & WEEKS-HEMPHILL, NOYES is a partnership having an office and place of business at 8 Hanover Street, New York, N.Y. This partnership was succeeded by the Defendant HORNBLOWER & WEEKS-HEMPHILL, NOYES, INC. which

acquired the assets and liabilities of the former partnership.

SIXTH: The named Individual Defendants are Officers and Directors of the Corporate Defendants who participated in the unlawful acts set forth herein as will be subsequently set forth.

SEVENTH: The "JOHN DOE" and "RICHARD ROE" Defendants will be properly named after full examinations of the Defendants can be had.

EIGHTH: This Count is a Cause of action for damages for a false and misleading prospectus and is directed against the Defendants AVCO CORPORATION, CARTRIDGE TELEVISION, INC., HORNBLOWER & WEEKS-HEMPHILL, NOYES, JAMES R. KERR, FRANK STANTON, CHARLES D. BROWN, SAMUEL W. GELFMAN, DONALD F. JOHNSTON, DENIS B. TRELEWICZ, ERNEST A. ALSON, ALAN S. BERK, JAMES R. DEMPSE, VICTOR ELMALAH, ARTHUR STANTON and GORDON M. TUTTLE.

NINTH: This Court acquires jurisdiction of this Count pursuant to the Securities Acts of the United States and, in particular, without limitation, to Sections 10, 11, 12, 13, 15, 17, and 22 of the Securities Act of 1933 (15 USC 77g, 15 USC 77j, 15 USC 77k, 15 USC 77l, 15 USC 77m, 15 USC 77o, 15 USC 77q and 15 USC 77v).

TENTH: This Court acquires personal jurisdiction of the Individual Defendants not residing within the territory of the State of New York since the offer and sale of the securities:

Involved took place within this District and the said Defendants participated therein.

ELEVENTH: This suit is being brought within three years of the date of the offer of the securities involved to the public and within one year from the date when the omissions involved could have been discovered by reasonable diligence.

TWELFTH: The following set forth the statements in the said prospectus for the public sale of stock of CARTRIDGE TELEVISION, INC. which are misleading of the facts which would have been required to be stated to make the prospectus involved not misleading. The specific recital of such facts is without prejudice to a showing of other facts involving these issues if the circumstances warrant;

a. On Page 2 of the prospectus it is stated that the Company developed a color video tape cartridge system. The Impression is thus given that the system had been fully developed at that time. In point of fact, as was revealed in the bankruptcy of said CARTRIDGE TELEVISION, INC. on June 6, 1973, the said system was not, in fact, developed at that time and even today is involved with serious production and other "bugs" making

such systems unsaleable. There have been, on information and belief, practically 100 percent returns of the equipment.

b. Also, on Page 2 of the prospectus it is stated that the expectation is that consumer sales will be made by mid-1972. In point of fact, the principals well knew that the timetable not only could not be met but was never intended to be met.

c. On Page 3 of the prospectus it is stated that the said CARTRIDGE TELEVISION, INC. incurred approximately \$6,100,000 of research and pre-operating costs. The impression is set forth that these costs were primarily research costs. In point of fact, a large proportion of these costs, on information and belief, were extravagant personal expenses incurred by Officers and Directors of the said CARTRIDGE TELEVISION, INC. having no relationship to the business of the Company or any research and development.

d. On Pages 10 and 11 of the prospectus there are several statements made with respect to patents and patentability of the CARTRIDGE and system involved herein. Many of these statements, on information and belief, are false and misleading or, alternatively, there is no statement presented which would make such statements not misleading. The details are set forth below:

1. It is not true that the prospects of obtaining patent protection for certain features of the recorder-playback unit were good. Furthermore, the vague statement about patentability of "certain features" is vague and misleading.

2. On information and belief, there were, at the time of filing of the prospectus, a number of adversary held patents which, in point of fact, created a substantial cloud on the right of the said CARTRIDGE TELEVISION, INC. to manufacture the device involved.

3. The patent statements about claims made against the Company with respect to adversary held patents were deliberately made vague while, in point of fact, the adversary patents were quite material to the future prospects of the Company. For example, the complete description, number of patent, and name and address of the owner of the adversary patent were deliberately not presented to the investor when reading the prospectus, thereby misleading investors.

THIRTEENTH: As a result thereof, the Plaintiffs and the Class that they represent have suffered severe losses. While the amount

of the losses are not presently known, the losses are estimated to amount to at least TEN MILLION (\$10,000,000) DOLLARS.

FOURTEENTH: The Class Involved herein consists of the individuals, firms, corporations and associations who purchased CARTRIDGE TELEVISION, INC. common stock from the prospectus of May 19, 1971. The number of Members of this Class is not known with certainty but is believed to consist of at least Ten Thousand individuals, firms, corporations and/or association.

CLASS ACTION ALLEGATIONS

FIFTEENTH: The following constitute the requisite Class Action allegations as required by the Provisions of Civil Rule 11A:

a. The Class Action herein can be maintained under Rule 23a and Rule 23b(1)(A), Rule 23b(1)(B) and Rule 23b(3) of the Federal Rules of Civil Procedure.

b. The Plaintiffs will fairly and adequately represent the Class since the Plaintiff THOMPSON is a Member of the Class and has no interests adverse to the Class. The Plaintiff INDEPENDENT INVESTOR PROTECTIVE LEAGUE is a voluntary non-profit organization of investors who have banded together for their mutual protection and therefore is a proper and desirable class representative.

c. The class is too numerous to be individually joined in this action.

SIXTEENTH: The following are specific questions of law or fact common to the Class:

a. Is the prospectus involved in this suit false and misleading as set forth in the Complaint?

b. It is clear that the Members of the Class suffered losses in connection with the purchase of the stock involved and the amount of loss per share is substantially equal to each Member of the Class.

c. Did the Defendants have a duty to disclose certain facts in the prospectus which were not disclosed?

SEVENTEENTH: The questions of law or fact common to the Class predominate over any questions involving individual Members of the Class and a Class Action is superior to other available methods for the fair and efficient adjudication of the controversy. The following are the reasons therefor:

a. The interest of individual Members of the Class in controlling the prosecution of

separate actions is minimal because generally each of the members thereof have a relatively small claim against the Defendants even though the claim, in the aggregate, is very large.

b. There does not appear to be any other litigation involving the issues in this action presently pending elsewhere.

c. This forum appears to be the desirable forum for the prosecution of this action since the listing of the stock was on the Stock Exchange located within this District and the majority of the transactions probably occurred within this District. In addition, the Defendant CARTRIDGE TELEVISION, INC. has its principal office within this District.

d. There are no difficulties with respect to the management of a Class Action. The Class is relatively small and the interests of the Members thereof appear to be quite similar.

COUNT TWO

EIGHTEENTH: Plaintiffs repeat and re-allege the allegations set forth in PARAGRAPHS "FIRST", "SECOND", "THIRD".

"FOURTH", "FIFTH", "SIXTH", "SEVENTH", "FIFTEENTH" and "SIXTEENTH" of the Complaint herein as though fully set forth herein at length.

NINETEENTH: This Court acquires jurisdiction of this Count pursuant to the Securities Exchange Act of 1934 and, in particular, without limitation as to other possible violations, Sections 9, 10(b), 20, and 27 (15 USC 78i, 15 USC 78j, 15 USC 78t and 15 USC 78aa), and Rule 10b-5 of the Rules and Regulations of the Securities and Exchange Commission.

TWENTIETH: For the purpose of creating a false valuation of the stock in the said CARTRIDGE TELEVISION, INC. the Defendants HORNBLOWER & WEEKS-HEMPHILL, NOYES, INC. committed the following acts forbidden under the Securities Acts:

a. The said Defendant HORNBLOWER & WEEKS-HEMPHILL, NOYES, INC. through their various "Registered Representatives" "touted" the stock of the said CARTRIDGE TELEVISION, INC. by making various misleading representations with respect to the business of the said Corporation, the future prospects of the said Corporation, and the present status of the devices developed and manufactured by

the said CARTRIDGE TELEVISION INC.

b. The said Defendant HORNBLLOWER & WEEKS-HEMPHILL, NOYES, INC. issued "bullish" reports, purportedly made by unbiased research analysts, exaggerating the present and the future prospect of the said CARTRIDGE TELEVISION, INC.

c. While issuing the said "bullish" reports, on information and belief, the Defendant HORNBLLOWER & WEEKS-HEMPHILL, NOYES, INC. was disposing of the stock of the said CARTRIDGE TELEVISION, INC. both for its' own account and for the accounts of Officers, Partners and favored Customers of said firm.

d. While issuing the said "bullish" reports, on information and belief, the said HORNBLLOWER & WEEKS-HEMPHILL, NOYES, INC. was disposing of stock in CARTRIDGE TELEVISION, INC. for the Defendant AVCO CORPORATION, PAUL REVERE CORPORATION and for accounts controlled by the Defendant JOHN H. GOSNELL making said Defendants also liable for the acts involved.

TWENTY-FIRST: As a result of the acts involved herein the Plaintiffs and the Class that they represent, suffered severe losses estimated at approximately FORTY MILLION (\$40,000,000) DOLLARS.

TWENTY-SECOND: The Class involved herein consists of those individuals, firms, corporations and/or

associations who purchased stock of CARTRIDGE TELEVISION, INC. during the period of the acts alleged herein, which extends from approximately June, 1971 to June, 1973. The Plaintiff THOMPSON purchased stock in CARTRIDGE TELEVISION, INC. during that period and is a Member of this Class. The Class is believed to number about One Hundred Thousand Members.

TWENTY-THIRD: The following are the specific questions of law or fact common to the Class:

a. The misleading activities committed by the Defendants in the sale of CARTRIDGE TELEVISION, INC. stock during the period involved in this Complaint.

b. The legal responsibility of the Defendants to the Class Members.

COUNT THREE

TWENTY-FOURTH: Plaintiffs repeat and reallege the allegations set forth in PARAGRAPHS "FIRST", "SECOND", "THIRD", "FOURTH", "FIFTH", "SIXTH", "SEVENTH", "FIFTEENTH", and "SIXTEENTH" of the Complaint herein as though fully set forth herein at length.

TWENTY-FIFTH: This Cause of Action is specifically directed against the Defendants JOHN H. GOSNELL and PAUL REVERE

CORPORATION.

TWENTY-SIXTH: This is a Cause of Action for misuse of "Insider Information" and this Court acquires jurisdiction thereof by reason of the Securities Exchange Act of 1934 and in particular Section 10(b) thereof (15 USC 78j) and Rule 10b-5 of the Rules and Regulations of the Securities and Exchange Commission.

TWENTY-SEVENTH: Based upon his position as Chairman of the Executive Committee of the Defendant AVCO CORPORATION (which had effective control of the Defendant CARTRIDGE TELEVISION INC.) the Defendant GOSNELL knew, during the first half of 1973, that the Defendant CARTRIDGE TELEVISION, INC. was in severe financial difficulties and was going to eventually file a bankruptcy petition.

TWENTY-EIGHTH: The Defendant GOSNELL, for accounts controlled by him, including, on information and belief, PAUL REVERE CORPORATION, various trusts controlled by him, accounts for his friends and family members, commenced selling the stock of the said CARTRIDGE TELEVISION, INC. prior to June 6, 1973 based upon the information to which he was privy, that CARTRIDGE TELEVISION, INC. was shortly to file a Petition in Bankruptcy.

TWENTY-NINTH: At the same time that the said Defendants named hereinabove were selling stock of the said

CARTRIDGE TELEVISION, INC. the Plaintiff THOMPSON and the Class that he represents were purchasing said stock and had no access to said "insider information".

THIRTIETH: The stock of CARTRIDGE TELEVISION, INC. is presently worth approximately \$.25 per share while the price at which the stock was purchased by the Class and sold by the said Defendants hereinabove named was approximately \$40.00 per share.

THIRTY-FIRST: It is believed that the number of shares of said CARTRIDGE TELEVISION, INC. sold by the Defendants named hereinabove was approximately Three Hundred Thousand shares making the losses to the Class involved approximately TEN MILLION (\$10,000,000) DOLLARS.

THIRTY-SECOND: The Class involved herein consists of the purchasers of stock of CARTRIDGE TELEVISION, INC. at the time that the Defendants named hereinabove were selling said shares based upon the "inside information" that CARTRIDGE TELEVISION, INC. was about to file a Petition in Bankruptcy. The dates of said sales are believed to be between January and June 1973. The Plaintiff THOMPSON is a Member of said Class.

THIRTY-THIRD: The Class is believed to number about One Hundred Thousand (100,000) persons, firms, corporations and associations.

THIRTY-FOURTH: The following are the specific questions of law or fact common to the Class:

a. The receipt by the Defendants named hereinabove of "Insider Information".

b. The utilization of said "Insider Information" to sell stock of CARTRIDGE TELEVISION, INC. by the named Defendants herein.

c. The legal liability of the named Defendants by reason of the acts involved herein.

COUNT FOUR

THIRTY-FIFTH: Plaintiffs repeat and reallege the allegations set forth in PARAGRAPHS "FIRST", "SECOND", "THIRD", "FOURTH", "FIFTH", "SIXTH", "SEVENTH", "FIFTEENTH" and "SIXTEENTH" of the Complaint herein as though fully set forth herein at length.

THIRTY-SIXTH: This Court acquires jurisdiction of this Count pursuant to the Anti-Trust Laws of the United States and, in particular, Section 1 of the Sherman Act (15 USC 1) with this Court having jurisdiction pursuant to 15 USC 15.

THIRTY-SEVENTH: This Count involves facts which took place within four (4) years of the date of the institution of this action.

THIRTY-EIGHTH: The Defendants herein, on information and belief, have entered into a combination and conspiracy to depress the value of the stock of CARTRIDGE TELEVISION, INC. to destroy the value of the common stock of CARTRIDGE TELEVISION INC., to destroy the market value of the common stock of CARTRIDGE TELEVISION INC., and to thereby "freeze out" the present stockholders of CARTRIDGE TELEVISION, INC. and permit the Corporation to be taken over by the Defendant AVCO CORPORATION at a fraction of the true value.

THIRTY-NINTH: On information and belief, the said conspiracy took place as follows:

a. The Defendant AVCO CORPORATION forced its way into a controlling position with the Defendant CARTRIDGE TELEVISION, INC. and dominated and controlled said Corporation.

b. Having such domination and control, the Defendant AVCO caused the Defendant CARTRIDGE TELEVISION INC. to make business decisions which were not in the best interests of the said Corporation, including the spending of excessive amounts of funds for various purposes (said excessive fund expenditures being masked as "Research and Development Expenses").

c. The Defendant AVCO then sold a substantial block of stock in the said CARTRIDGE TELEVISION, INC. to the public in mid-1971 so that the said CARTRIDGE TELEVISION, INC. received substantial public funds which could then be utilized by said Corporation.

d. The said Defendant AVCO CORPORATION in combination and conspiracy with the Defendant CARTRIDGE TELEVISION, INC. and aided and abetted by certain of the Individual Defendants determined to force the said CARTRIDGE TELEVISION, INC. into bankruptcy.

e. The said conspirators, on information and belief, then planned to offer the creditors of the said CARTRIDGE TELEVISION, INC. a fractional sum in settlement of their claims and would further obtain, in a bankruptcy settlement, control of an absolute majority of the stock of said CARTRIDGE TELEVISION, INC.

f. The said conspirators, on information and belief, then intend to "freeze out" the remaining public stockholders of CARTRIDGE TELEVISION, INC. by acquiring the requisite amount of the said stock of the said CARTRIDGE TELEVISION, INC. to merge this Corporation with the Defendant AVCO CORPORATION.

g. After said "freeze out" is accomplished

the conspirators will be in a position to utilize the developments and assets of the said CARTRIDGE TELEVISION, INC. which have been acquired by the said AVCO CORPORATION at a value considerably less than actual value of said assets and thereby increase the profits of AVCO CORPORATION substantially at the expense of CARTRIDGE TELEVISION, INC. stockholders.

FORTIETH: The above acts have already caused substantial damage to the stockholders of the said CARTRIDGE TELEVISION, INC. estimated in an amount of approximately FORTY MILLION (\$40,000,000) DOLLARS which should be trebled under the Anti-Trust Laws of the United States.

FORTY-FIRST: The Class involved herein consists of the stockholders of CARTRIDGE TELEVISION, INC. who have sustained losses due to the conspiracy set forth herein. The number of Members of the Class is not known with particularity but is believed to number approximately Two Hundred Thousand individuals, firms, corporations and associations.

FORTY-SECOND: The following are the questions of law or fact common to the Class:

a. The facts and circumstances with respect to the conspiracy alleged herein.

b. The legal liability of the Defendants herein to the Class.

COUNT FIVE

FORTY-THIRD: Plaintiffs repeat and reallege the allegations set forth in PARAGRAPHS "FIRST", "SECOND", "THIRD", "FOURTH", "FIFTH", "SIXTH", "SEVENTH", "FIFTEENTH" and "SIXTEENTH" of the foregoing Complaint as though fully set forth herein at length.

FORTY-FOURTH: This Court acquires jurisdiction of this Count pursuant to the Securities Acts of the United States and, in particular, without limiting the generality of the allegations Sections 10(b), 13, 18, 20 and 27 of the Securities Exchange Act of 1934 (15 USC 78j, 15 USC 78r, 15 USC 78q, 15 USC 78t and 15 USC 78aa).

FORTY-FIFTH: This Count is directed against the Defendant ARTHUR YOUNG & COMPANY and the other Defendants by reason of misleading financial information placed within several reports and, in particular, without limiting the generality of the foregoing, the financial information contained within the prospectus which was filed in connection with the initial offering of the securities of CARTRIDGE TELEVISION, INC. and the Annual Reports of the said CARTRIDGE TELEVISION, INC.

FORTY-SIXTH: In the said financial statements, the financial picture of the operations of CARTRIDGE TELEVISION, INC. is completely distorted by the carrying of current expenses

(referred to as "research and preoperating costs") as "deferred expenses". Thus the poor financial picture of CARTRIDGE TELEVISION, INC. (which caused it to file a Petition in Bankruptcy in June, 1973) was completely masked in the financial information submitted. Furthermore the said Defendants did not charge depreciation with respect to the production facilities and equipment of CARTRIDGE TELEVISION, INC. further masking the true financial picture of said Corporation.

FORTY-SEVENTH: The Plaintiff THOMPSON and the Class that he represents, thereby suffered substantial losses in purchasing the stock of said CARTRIDGE TELEVISION, INC. which purchases were based upon misleading financial information, upon which said Plaintiff and Class Members relied.

FORTY-EIGHTH: As a result of said acts, it is estimated that the Plaintiff and the Class that he represents, suffered losses of approximately FORTY MILLION (\$40,000,000) DOLLARS.

FORTY-NINTH: The Class involved in this Count constitutes purchasers of the stock of CARTRIDGE TELEVISION, INC. who relied upon the misleading information set forth herein. The number of Members of said Class is not known with particularity but is believed to be approximately Two Hundred Thousand persons, firms, corporations and/or associations.

FIFTIETH: The following constitute the common questions of law or fact involved in this action:

a. Was the deferral of costs which are contended to be current expenses, a false and misleading act on the part of the Defendants?

b. Did the Plaintiffs and the Class Members rely upon this misleading information?

c. Did this reliance cause damage to the Plaintiffs and the Class Members involved?

COUNT SIX

FIFTY-FIRST: Plaintiffs repeat and reallege the allegations set forth in PARAGRAPHS "FIRST", "SECOND", "THIRD", "FOURTH", "FIFTH", "SIXTH", "SEVENTH", "TWELFTH", "THIRTEENTH", "FOURTEENTH", "FIFTEENTH", "SIXTEENTH", "SEVENTEENTH", "TWENTIETH", "TWENTY-FIRST", "TWENTY-SECOND", "TWENTY-THIRD", "TWENTY-FIFTH", "TWENTY-SIXTH", "TWENTY-SEVENTH", "TWENTY-EIGHTH", "TWENTY-NINTH", "THIRTIETH", "THIRTY-FIRST", "THIRTY-SECOND", "THIRTY-THIRD", "THIRTY-FOURTH", "THIRTY-EIGHTH", "THIRTY-NINTH", "FORTY-FIRST", "FORTY-SECOND", "FORTY-FIFTH", "FORTY-SIXTH", "FORTY-SEVENTH", "FORTY-EIGHTH", "FORTY-NINTH" and "FIFTIETH" of the foregoing Complaint as though fully set forth at length herein.

FIFTY-SECOND: This Count is for common-law remedies

against the Defendants by reason of the acts set forth herein and this Court acquires jurisdiction of this Count under principles of "pendent jurisdiction" since this Count is a substantial and related claim to the Count for Securities Act and Anti-Trust violations.

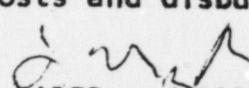
WHEREFORE, PLAINTIFFS DEMAND:

1. Damages against the Defendants found to be liable to the Plaintiffs and to the Class that they represent, upon COUNT ONE of the Complaint in the sum of TEN MILLION (\$10,000,000) DOLLARS with interest and the costs and disbursements of this action.
2. Damages against the Defendants found to be liable to the Plaintiffs and to the Class that they represent, upon COUNT TWO of the Complaint in the sum of FORTY MILLION (\$40,000,000) DOLLARS with interest and the costs and disbursements of this action.
3. Damages against the Defendants found to be liable to the Plaintiffs and to the Class that they represent on COUNT THREE of the Complaint in the sum of TEN MILLION (\$10,000,000) DOLLARS with interest and the costs and disbursements of this action.
4. Damages against the Defendants found to be liable

to the Plaintiffs and to the Class that they represent on COUNT FOUR of the Complaint in the sum of FORTY MILLION (\$40,000,000) DOLLARS trebled to ONE HUNDRED TWENTY MILLION (\$120,000,000) DOLLARS together with a reasonable attorneys' fee estimated to be approximately TWENTY (20%) Percent of the amount recovered and the costs and disbursements of this action.

5. Damages against the Defendants found to be liable to the Plaintiffs and to the Class that they represent on COUNT FIVE of the Complaint, in the sum of FORTY MILLION (\$40,000,000) DOLLARS with interest and the costs and disbursements of this action.

6. Damages against the Defendants found to be liable to the Plaintiffs and to the Class that they represent on COUNT SIX of the Complaint, in the amount found by the Court and a Jury to represent the amount for which the Defendants are liable, together with the costs and disbursements of this action.


BADER and BADER
Attorneys for Plaintiffs
274 Madison Avenue
New York, N. Y. 10016
Telephone: (212) LE 2-6860.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

FILED
U.S. DISTRICT COURT
PR 2 11 35 AM '74
S.D. OF N.Y.

INDEPENDENT INVESTOR PROTECTIVE . :
LEAGUE, et al., :

Plaintiffs, :

ANSWER

-against- :

74 Civ. 731 (MEF)

AVCO CORPORATION, et al., :

Defendants. :

----- -x

Defendant Arthur Young & Company for its answer
to the complaint herein:

1. Denies knowledge or information sufficient
to form a belief as to the allegations of paragraphs FIRST
and SECOND.

2. Denies the allegations of paragraph THIRD,
except admits that Cartridge Television, Inc. ("Cartridge")
is a Delaware corporation and admits that Cartridge on or
about July 8, 1973 filed a petition for an arrangement in
the United States District Court for the Southern District
of New York pursuant to Chapter XI of the Bankruptcy Act.

3. Admits the allegations of paragraph FOURTH.

4. Denies knowledge or information sufficient to
form a belief as to the allegations of paragraphs FIFTH and
SIXTH.

5. Denies the allegations of paragraph SEVENTH.

6. Denies the allegations of paragraph EIGHTH,
except admits that plaintiffs purport to assert a claim for
relief against the persons named therein.

7. Denies the allegations of paragraph NINTH, except admits that plaintiffs purport to invoke the jurisdiction of this court under Sections 10, 11, 12, 13, 15, 17 and 22 of the Securities Act of 1933.

8. Denies the allegations of paragraph TENTH, except denies knowledge or information sufficient to form a belief as to the location of offices and places of sales of securities of Cartridge and any participation therein by said defendants.

9. Denies the allegations of paragraph ELEVENTH, except admits that this suit was commenced within three years of the offering of Cartridge securities to the public pursuant to a Prospectus dated July 13, 1971.

10. Answering paragraph TWELFTH, denies the allegations of the preamble of said paragraph and, with respect to the lettered subparagraphs thereof, answers as follows:

(a) Denies the allegations of subparagraph

(a), except admits that the preliminary Prospectus of Cartridge dated May 18, 1971 (and the final Prospectus dated July 13, 1971) referred to a color video tape cartridge system and refers to said Prospectuses for the contents thereof.

(b) Denies the allegations of subparagraph (b).

(c) Denies the allegations of subparagraph (c), except refers to the Prospectus for the contents thereof regarding research and pre-operating costs incurred by Cartridge.

(d) Denies the allegations of subparagraph (d), except refers to the Prospectus for the contents thereof

regarding patents and patentability of Cartridge's product.

11. Denies the allegations of paragraphs THIRTEENTH and FOURTEENTH.

12. Denies the allegations of paragraph FIFTEENTH, except denies knowledge or information sufficient to form a belief as to whether plaintiff Thompson has any interest adverse to the claimed class and as to whether plaintiff Independent Investor Protective League is a voluntary non-profit organization of investors who have banded together for their mutual protection.

13. Denies the allegations of paragraph SIXTEENTH.

14. Denies the allegations of paragraph SEVENTEENTH, except admits that no other litigation involving the issues in this action is presently pending and admits that Cartridge had a principal place of business in this District.

15. Answering paragraph EIGHTEENTH, repeats as if set forth in full the matters set forth in paragraphs 1 through 14 above.

16. Denies the allegations of paragraph NINETEENTH, except admits that plaintiffs purport to invoke the jurisdiction of this court under Sections 9, 10(b), 20 and 27 of the Securities Exchange Act of 1934.

17. Denies knowledge or information sufficient to form a belief as to the allegations of paragraphs TWENTIETH and TWENTY-FIRST.

18. Denies the allegations of paragraph TWENTY-SECOND, except denies knowledge or information sufficient to

UNITED STATES DISTRICT COURT

form a belief as to purchases of Cartridge securities by plaintiff Thompson.

19. Denies the allegations of paragraph TWENTY-THIRD.

20. Answering paragraph TWENTY-FOURTH, repeats as if set forth in full the matters set forth in paragraphs 1 through 19 above.

21. Admits the allegations of paragraph TWENTY-FIFTH.

22. Denies the allegations of paragraph TWENTY-SIXTH, except admits that plaintiffs purport to invoke the jurisdiction of this court under Section 10(b) of the Securities Exchange Act of 1934 and Rule 10(b)(5) promulgated thereunder.

23. Denies knowledge or information sufficient to form a belief as to the allegations of paragraphs TWENTY-SEVENTH through THIRTY-FIRST.

24. Denies the allegations of paragraphs THIRTY-FOURTH.

25. Answering paragraph THIRTY-FIFTH, repeats as if set forth in full the matters set forth in paragraphs 1 through 24 above.

26. Denies the allegations of paragraph THIRTY-SIXTH, except admits that plaintiffs purport to invoke the jurisdiction of this court under Section 1 of the Sherman Act.

27. Denies the allegations of paragraph THIRTY-SEVENTH.

28. Denies the allegations of paragraphs THIRTY-EIGHTH, THIRTY-NINTH, FORTIETH, FORTY-FIRST and FORTY-SECOND.

29. Answering paragraph FORTY-THIRD, repeats as if set forth in full the matters set forth in paragraphs 1 through 27 above.

30. Denies the allegations of paragraph FORTY-FOURTH, except admits that plaintiffs purport to invoke the jurisdiction of this court pursuant to Sections 10(b), 13, 18, 20 and 27 of the Securities Exchange Act of 1934.

31. Denies the allegations of paragraph FORTY-FIFTH, except admits that plaintiffs purport to assert a claim for relief against Arthur Young & Company and the other defendants, and admits that the preliminary Prospectus dated May 19, 1971 (as well as the final Prospectus dated July 19, 1971) filed in connection with the initial public offering of Cartridge common stock and the 1971 and 1972 Annual Reports of Cartridge contained financial information relating to Cartridge.

32. Denies the allegations of paragraphs FORTY-SIXTH, FORTY-SEVENTH and FORTY-EIGHTH.

33. Denies the allegations of paragraph FORTY-NINTH, except denies knowledge or information sufficient to form a belief as to the numbers of persons on whose behalf plaintiffs purport to sue.

34. Denies the allegations of paragraph FIFTIETH.

35. Answering paragraph FIFTY-FIRST, repeats as if set forth in full the matters set forth in paragraphs 1 through 34 above.

36. Denies the allegations of paragraph FIFTY-SECOND.

AS AND FOR A FIRST AFFIRMATIVE DEFENSE:

37. On information and belief plaintiff Independent Investor Protective League has not such legal existence as would entitle it to maintain this action.

AS AND FOR A SECOND AFFIRMATIVE DEFENSE:

38. Plaintiff Independent Investor Protective League lacks standing to maintain this action, either in its own behalf or as a representative of others.

AS AND FOR A THIRD AFFIRMATIVE DEFENSE:

39. The complaint fails to state a claim upon which relief can be granted against defendant Arthur Young & Company.

AS AND FOR A FOURTH AFFIRMATIVE DEFENSE:

40. The report of Arthur Young & Company upon the historical statements of assets, intangibles and deferrals, of liabilities and of capital shares of Cartridge and the related statement of cash receipts and disbursements, contained in the registration statement and Prospectus of Cartridge dated July 13, 1971 (and in each preliminary Prospectus filed in connection therewith), was made after reasonable investigation.

41. Upon the effective date of said registration statement, Arthur Young & Company had reasonable ground to believe and did believe that the said statements were true and that there was no omission to state a material fact

required to make the statements therein not misleading.

AS AND FOR A FIFTH AFFIRMATIVE DEFENSE:

42. The complaint herein fails to state the circumstances of the alleged fraud by Arthur Young & Company with particularity as required by Fed. R. Civ. P. 9(b).

AS AND FOR A SIXTH AFFIRMATIVE DEFENSE:

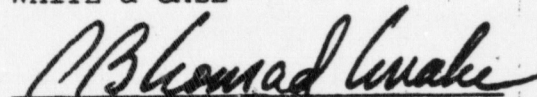
43. Plaintiffs' claims herein are barred by the applicable statutes of limitation.

WHEREFORE, defendant Arthur Young & Company demands judgment in its favor dismissing the complaint herein and awarding it the costs and expenses of this action including attorney's fees together with such other and further relief as to the court may appear just and proper.

Dated: New York, New York
April 2, 1974

WHITE & CASE

BY



A Member of the Firm
Attorneys for Defendant
Arthur Young & Company
14 Wall Street
New York, New York 10005

EXCERPT FROM 1972 FINANCIAL STATEMENT OF CARTRIDGE TELEVISION

CARTRIDGE TELEVISION INC.**STATEMENT OF ASSETS, INTANGIBLES AND DEFERRALS (NOTE 1)**

November 30, 1972 and 1971

	1972	1971
Current assets:		
Cash	\$ 101,665	\$ 299,669
Certificates of deposit	—	14,027,407
Accounts receivable—trade, less allowance for customer returns of \$384,000, pledged (Note 4)	1,099,307	—
Inventories, at lower of cost (first-in, first-out) or net realizable value:		
Finished goods	1,272,838	—
Work-in-process	1,177,546	—
Raw material	545,799	—
	2,996,183	—
Advances and prepaid expenses	118,603	375,449
Total current assets	4,315,758	14,702,525
Property, plant and equipment, at cost (Notes 2, 4 and 5):		
Land	320,506	289,681
Buildings and improvements	2,473,564	1,381,473
Equipment and furniture	3,590,177	1,208,098
	6,384,247	2,879,252
Accumulated depreciation	(932,273)	(363,067)
	5,451,974	2,516,185
Production facilities and equipment (including construction in progress of \$534,866 in 1972 and \$1,265,305 in 1971)	6,706,999	1,633,030
Net property, plant and equipment	12,158,973	4,149,215
Investment in affiliates (Note 3)	175,000	—
Intangibles and deferrals:		
Patents at cost	127,417	87,943
Research, preoperating and start-up costs (Notes 1 and 5)	31,280,487	10,434,448
Total intangibles and deferrals	31,407,904	10,522,391
	\$48,057,635	\$29,374,131

STATEMENT OF LIABILITIES

November 30, 1972 and 1971

	1972	1971
Current liabilities:		
Note payable to bank (Note 4)	\$ 720,000	\$ —
Accounts payable—trade	2,214,279	912,638
Accounts payable—Avco Corporation (Note 5)	1,071,213	401,548
Accrued liabilities	941,207	207,551
Long-term liabilities due within one year (Note 4)	193,354	130,200
Total current liabilities	5,140,053	1,651,937
Long-term liabilities due after one year:		
Building and equipment loans (Note 4)	262,688	281,300
Avco Corporation (Note 5)	9,114,000	—
8% notes payable to Avco Corporation (Note 5)	6,100,000	—
Commitments and contingencies (Notes 3 and 6)		
	\$20,616,741	\$ 1,933,237

STATEMENT OF COMMON STOCK AND ADDITIONAL PAID-IN CAPITAL

November 30, 1972 and 1971

	1972	1971
Common stock, \$1 par value; 2,500,000 shares authorized, 2,082,750 issued and outstanding (Notes 5, 8 and 9)	\$ 2,082,750	\$ 2,082,750
Additional paid-in capital	25,358,144	25,358,144
	\$27,440,894	\$27,440,894

STATE OF NEW YORK)
 : SS.
COUNTY OF RICHMOND)

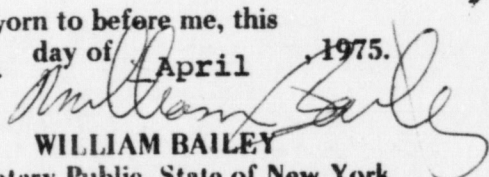
ROBERT BAILEY, being duly sworn, deposes and says, that deponent is not a party to the action, is over 18 years of age and resides at 286 Richmond Avenue, Staten Island, N.Y. 10302. That on the 11 day of April, 1975 deponent served the within Appendix upon Names and addresses listed below
White & Case, 14 Wall St. New York, N.Y.;
Shea, Gould, Climenko, 300 Madison Ave., New York, N.Y.
Winthrop, Stimson, Putnam & Roberts, 40 Wall St., New York, N.Y.
Milbank, Tweed, etc., 1 Chase Manhattan Plaza, New York, N.Y. 10005
Otterbourg, Steindler, etc., 230 Park Ave., New York, N.Y.

attorney(s) for
Appellees

~~in this action, at~~

the address(es) designated by said attorney(s) for that purpose by depositing 3 true copies of same enclosed in a postpaid properly addressed wrapper, in an official depository under the exclusive care and custody of the United States post office department within the State of New York.


.....
ROBERT BAILEY

Sworn to before me, this
11 day of April, 1975.

WILLIAM BAILEY
Notary Public, State of New York
No. 43-0132945
Qualified in Richmond County
Commission Expires March 30, 1976